

FISCAL MEMORANDUM

SB 1468 – HB 1641

March 12, 2007

SUMMARY OF AMENDMENT (003826): Deletes language of original bill. Repeals the state's 2.75% single article tax. Increases the threshold for taxable sales, from the first \$1,600 to the first \$3,200, for which local option sales tax can be levied. Increases this threshold, rounded up to the nearest multiple of \$100, each July 1 beginning on July 1, 2008, to reflect the percentage change of increase in the average Consumer Price Index as most recently published by the U.S. Department of Labor, Bureau of Labor Statistics. Requires the Department of Revenue (DOR) to publish the increased threshold on the department's website.

FISCAL IMPACT OF ORIGINAL BILL:

Increase Local Govt. Revenues - \$380,000

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenues - \$52,636,000

Increase Local Govt. Revenues - \$43,065,000

Assumptions applied to amendment:

- According to DOR, state single article tax collections in FY05-06 were \$48,200,000.
- FY05-06 taxable sales from which state single article tax collections were derived (portions above \$1,600, but less than \$3,200) are estimated to be \$1,752,727,000 ($\$48,200,000 \div 2.75\%$ single article tax rate = \$1,752,727,273).
- Taxable sales in Tennessee grow approximately 4.5% per year.
- Adjusted taxable sales for FY07-08 are estimated to be \$1,914,021,000 ($[\$1,752,727,000 \times 104.5\%] \times 104.5\% = \$1,914,021,702$).
- The decrease to state revenues for FY07-08 is estimated to be \$52,636,000 ($\$1,914,021,000 \times 2.75\%$ single article tax rate = \$52,635,577).

- Local option sales tax rate is estimated to average 2.25%.
- The increase to local government revenues for FY07-08 is estimated to be \$43,065,000 ($\$1,914,021,000 \times 2.25\% = \$43,065,473$).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White".

James W. White, Executive Director

/rnc